



*A Subsidiary of
Frontier financial Corporation*
March 29, 2004

Board of Governors of the
Federal Reserve System
ATTN: Jennifer Johnson, Secretary
20th Street and Constitution Avenue, NW
Washington, DC 20551

Re: Board of Governors of the Federal Reserve System, Docket No. R-1173

ANPR to Consider Alternative Forms of Privacy Notices Under the Gramm-Leach-Bliley Act

Ladies and Gentlemen:

Frontier Bank appreciates this opportunity to respond to the December 30, 2003 Advance Notice of Proposed Rulemaking (ANPR) on the interagency proposal to consider alternative forms of privacy notices under the Gramm-Leach-Bliley Act (GLB). Frontier Bank is a \$2.1 billion community bank in the Puget Sound area (Seattle). Frontier Bank serves both large and small communities through its network of 39 branches.

According to the background information in the ANPR, the agencies will review the information collected through this process and through independent research conducted by the agencies and determine “whether to propose changes to the privacy rule and, if so will seek further public comment on specific proposals.” As explained below, Frontier Bank believes that now is not the time to create a new privacy notice requirement.

Reasons for the ANPR

In the ANPR, the agencies are seeking comment on issues related to the format, elements, and language used in privacy notices that would make the notices more “accessible, readable, and useful.” The agencies are pursuing this goal, in part to “encourage and facilitate the efforts already underway” by financial institutions to improve privacy notices.

Specifically, the agencies request comment on whether to pursue the development of a short privacy notice. There are, according to the agencies, several ways to exercise their authority for developing a short notice. The agencies could offer model forms or language; sets of guidelines or best practices; or propose amendments to the privacy rule. The agencies request comment on what approaches “would be most useful to consumers while taking into consideration the burden on financial institutions.”

The Agencies Should Delay Creation of a Government Privacy Notice

Frontier Bank has reviewed the questions posed by the agencies as they consider what steps to take to improve the GLB privacy notices. In Frontier Bank's experience, our customers now treat the mailing as if it were junk mail. Those who do not just ignore it, request to "opt out", though we have no "opt out" provision – because we have no affiliates and we do not share information. Bottom line: they consider it junk mail or they don't understand it.

To most consumers, the automatic annual privacy notice is seen as nothing more than a nuisance, particularly since it must be sent even with no privacy policy changes at the bank. In addition, there are concerns that an agency short notice will simply be in addition to the longer notice. That is an unacceptable approach. Community banks support clear and concise notices for our customers and believe that the industry has made the appropriate adjustments to the original GLB notices. If the agencies make recommendations regarding how to provide a short version of the notice, it should either be, in lieu of the longer form, or at the discretion of the institution.

Frontier Bank is also opposed to any new federal mandate in this area especially without a preemption of state requirements on potentially conflicting privacy notices. There is also the question of providing notices to customers under the FACT Act or laws dealing with spam. It would appear to be prudent to delay this effort until the industry and the government knows all of the new notice requirements.

It should also be noted that the second most costly regulation for compliance departments are the privacy laws and regulations.¹ Therefore, the cost of producing a new privacy notice, no matter how short, needs to be carefully considered by the agencies.

On the other hand, the industry appreciates the notion of using a short form to explain the basics of the privacy policies to their customers. If that were to occur, however, we would want assurance that a bank could comply with its privacy notice requirements by posting this short form on a website, with new account documentation, or making available upon request, with the detailed form also available upon request.

Finally, if the agencies proceed with this effort and either offer a short form as an option, a suggestion (in the form of a guidance), or as a required form, the institution must have a "safe harbor" to ensure that use of the form constitutes compliance with GLB.

If you have any questions or need additional information, please contact me at 425-514-0845.

¹ See, the Nationwide Bank Compliance Officer Survey, ABA Banking Journal/June 2003

Sincerely,

A handwritten signature in black ink, appearing to read "D. McCrea", is displayed on a light gray rectangular background.

David McCrea
Senior Vice President
Manager of Compliance and Branch Operation
Frontier **Bank**